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**STANROCK URANIUM MINES**  
L I M I T E D  
A N N U A L R E P O R T

1967



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# STANROCK URANIUM MINES LIMITED

Suite 804 - 80 Richmond St. West

TORONTO 1, ONTARIO

CANADA

SEMI-ANNUAL REPORT TO SHAREHOLDERS

AUGUST 15, 1967

*DC Alanshal  
J-P.*



# STANROCK URANIUM MINES LIMITED

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## *President's Report*

### TO THE STOCKHOLDERS:

Financial statements for your Company for the year 1967 are included with this Report. Your Company continues to be in excellent financial condition. At the end of the year, net current assets were approximately \$1,165,000 and long-term debt had been reduced to \$80,000.

The year 1967 was an even better year for the uranium industry than 1966. In 1966, U.S. electrical utilities placed orders for 24 nuclear units with a total generating capacity of 20 million kilowatts. In 1967, these utilities placed orders for 31 units with a capacity of 25.4 million kilowatts. In both those years, 50% of all new U.S. electrical generating capacity ordered was nuclear. Nuclear plants with over 50 million kilowatts of generating capacity are operating or on order in the United States. Gains in nuclear power abroad are also impressive. In 1967, Japan entered into long-term commitments for 31,000,000 pounds of Canadian-produced  $U_3O_8$  as part of a large scale nuclear power plan, and West Germany announced a billion-dollar five-year nuclear reactor construction program.

A very significant event in the industry in 1967 was the detonation on December 10 of a 26-kiloton (the equivalent of 26,000 tons of TNT) thermo-nuclear device 4,000 feet below the ground at Leandro Canyon, New Mexico. The purpose of the blast was to fracture gas-bearing rock formations, thus permitting recovery of otherwise unrecoverable gas. The results of that test will be of great interest to the uranium industry as well as the gas and oil industry. Other promising applications of atomic

energy include water desalting, ship propulsion and controlled explosions in excavation projects of all kinds, together with applications in the food, medical and chemical industries.

The increasing demand for uranium which this swing to nuclear power will create is indicated by the Atomic Energy Commission's changing estimates of cumulative consumption in the U.S. of  $U_3O_8$  for private power purposes through 1980. In 1962, its median estimate of cumulative requirements through 1980 was 70,000 tons of  $U_3O_8$ . In 1964 it increased that estimate to 140,000 tons and in 1966 to 170,000 tons. Now that estimate is 250,000 tons. Over the same period of time, the AEC's estimate of installed U.S. nuclear capacity by 1980 has increased from 40,000,000 kw to 150,000,000 kw. Rafford L. Falkner, Director of the AEC's Division of Raw Materials, at an address in New York City on November 2, 1967, pointed out that there were about 200,000 tons of known reserves of  $U_3O_8$  in the United States, commercially recoverable at a price of \$10 or less, whereas the country's cumulative requirements for  $U_3O_8$  through 1980, including a minimum eight-year forward reserve, would be 650,000 tons. There have been very few discoveries of low-cost uranium deposits in recent years despite greatly stepped-up exploration activities by many companies.

We continue to look forward with confidence to the time when increases in the price of  $U_3O_8$  and other improved economic conditions in the industry will enable us to resume conventional mining of our Elliot Lake uranium deposits. It is generally agreed



that price increases in  $U_3O_8$ , such as we need to resume conventional mining, would not materially affect the competitive position of uranium as a power source.

In 1967, we produced by bacterial leaching uranium oxide and yttrium oxide with a sales value of \$434,898. Since June, all of our uranium oxide has been sold to a reactor manufacturer, at a price substantially in excess of the \$5.00 stockpile price paid by the Canadian Government. Sales of surplus plant and equipment amounted to \$16,132; interest and miscellaneous income amounted to \$36,372; net loss before special items, after costs of \$644,960, was \$173,690. Deferred expenses including expenses of exploration carried out in 1967 stood at \$241,967, at year end.

Production from bacterial leaching during 1967 decreased, partly because of a falling-off of recoveries in the areas of the mine we have been washing, and partly because we have been engaged in flooding other areas of the mine. As a result of the flooding program, we now have a considerable amount of water underground containing substantial quantities of extractable  $U_3O_8$ , not reflected in our year-end figures, which we expect to commence to recover and treat in 1968. The leaching program does not deplete our remaining uranium deposits.

In June 1967 we completed the purchase of the Stanward Corporation, in connection with which we acquired 138 claims in several groups, together with a 70% interest in another group of 61 claims, located throughout the Elliot Lake uranium area. We immediately commenced an exploratory drilling program on one such group surrounding Crotch Lake, four miles south of our mill, but that exploration effort did not encounter mineralization of commercial character. We do not plan further drilling on these properties at this time, pending further favorable developments in the industry or successful results of exploratory drilling being carried out by other companies in the same area.

In October 1967, we sold the Fulfillment Division located in Marion, Ohio, which we had also acquired

from Stanward, to American Heritage Publishing Co., for \$750,000 (Can.).

In November 1967 we obtained an option to acquire a 51% interest in a group of 17 claims owned by North Rock Mines and Green Valley Mines, located two miles east of our mill. To obtain the option, we agreed to drill one hole on the property, at a cost of approximately \$20,000. Drilling by our predecessors and ourselves on the property to date has indicated a deposit of approximately 1,600,000 tons of uranium bearing material, grading 1.5 pounds of uranium oxide per ton, at a depth of approximately 2,000 feet. We are hopeful of being able to extend that deposit. To exercise the option, we are required, prior to 1977, to expend an additional \$120,000 in exploring the claims.

During the latter part of 1967, D. S. Robertson & Associates Limited, consulting geologists and mining engineers, commenced and largely completed a detailed feasibility study, designed to provide us with up-to-date estimates of our remaining uranium reserves, operating costs, the capital investment required to reactivate the mine and mill, and like matters. Operating costs will be higher than they were in the early 1960's, and the capital costs of reactivation will be substantial. The study indicates that the deposits remaining in the mine are substantially larger than we previously estimated, but further work will be required to determine accurately the tonnage and grade of such remaining deposits.

We wish to thank Mr. B. G. MacDermid, Mine Manager, and our employees who have done an excellent job for us in Elliot Lake, and to thank our shareholders for their support.

Very truly yours,



President.

February 20, 1968.

# STANROCK URAN

## Balance Sheet — as

### ASSETS

#### Current:

Cash .....	\$1,073,150	1966 Comparative figures \$ 698,183
Accounts receivable .....	200,815	81,731
Inventory — uranium oxide at contract price .....	\$ 15,775	219,266
— yttrium oxide at lower of cost or market .....	8,523	18,918
	24,298	
Prepaid expenses .....	94,129	92,939
	1,392,392	1,111,037
Investment in and advances to subsidiary .....	4,191	—

#### Fixed, at cost:

Mining properties .....	596,932	300,000
Land .....	24,000	24,000
Buildings, machinery and equipment .....	16,168,935	16,148,264
Less: Accumulated depreciation .....	16,087,823	(16,070,555)
	81,112	
	702,044	401,709
Deferred charges .....	241,967	—

Approved on behalf of the Board:

GEORGE ROWE, Jr., Director.

D. C. MARSHALL, Director.

\$2,340,594

\$ 1,512,746

### AUDIT

To the Shareholders of  
Stanrock Uranium Mines Limited.

We have examined the balance sheet of Stanrock Uranium Mines Limited, of funds for the year then ended. Our examination included a general review evidence as we considered necessary in the circumstances.

Subject to the unaudited operating results of the former Fulfillment Division statements present fairly the financial position of the Company as at December the year then ended, in accordance with generally accepted accounting principles

Toronto, Ontario,  
February 19, 1968.



# M MINES LIMITED

December 31, 1967

## LIABILITIES

### Current:

Accounts payable and accrued liabilities .....	\$ 75,376	1966 Comparative figures \$ 93,703
Long-term debt due within one year .....	40,000	40,000
U.S. taxes payable .....	113,500	—
	<u>228,876</u>	<u>133,703</u>

### Long-term:

Note payable (secured) (Note 1) .....	\$ 120,000	160,000
Less: Due within one year .....	<u>40,000</u>	<u>40,000</u>
	80,000	<u>120,000</u>

## SHAREHOLDERS' EQUITY

### Capital:

#### Authorized:

10,000,000 common shares with a par value of  
\$1.00 each (Notes 2 and 3)

#### Issued, fully paid and non-assessable (Note 4):

6,467,573 common shares .....	6,467,573	4,993,286
Less: Discount on shares (Net) .....	<u>2,143,256</u>	<u>1,606,499</u>
	4,324,317	3,386,787
Deficit .....	<u>2,292,599</u>	<u>2,127,744</u>

2,031,718	1,259,043
<u>\$2,340,594</u>	<u>\$1,512,746</u>

The notes to financial statements are an integral part of this statement.

## REPORT

December 31, 1967, and the statements of earnings, deficit and source and application  
accounting procedures and such tests of accounting records and other supporting

the Company referred to in note 5, we report that, in our opinion these financial  
1967 and the results of its operations and the source and application of its funds for  
on a basis consistent with that of the preceding year.

HARBINSON, GLOVER & CO.,  
Chartered Accountants.

# STANROCK URANIUM MINES LIMITED

## *Statement of Earnings*

For the Year Ended December 31, 1967

		1966 Comparative figures
Sales of uranium and yttrium concentrates .....	\$ 434,898	\$ 818,681
Operating expenses:		
Washing and milling .....	\$ 477,415	623,967
Administrative .....	150,276	139,102
Depreciation .....	17,269	8,634
	644,960	771,703
	(210,062)	46,978
Other income:		
Interest .....	35,727	24,590
Miscellaneous .....	645	400
	36,372	
Net (loss) or profit for the year before special items .....	(173,690)	71,968
Disposal of machinery and equipment .....	16,132	81,760
Net profit from purchase, operation and sale of the Fulfillment Division (Note 5) .....	138,431	—
	154,563	
	(19,127)	153,728
Acquisition and related expenses not deferred .....	6,899	19,087
Net (loss) or profit after special items .....	\$ (26,026)	\$ 134,641

## *Statement of Deficit*

For the Year Ended December 31, 1967

Balance beginning of year .....	\$2,127,744	\$2,261,007
Add:		
Adjustments to prior years' earnings .....	—	1,378
Excess of discounted value of common shares issued for the assets of The Stanward Corporation over book value thereof .....	138,829	—
	2,266,573	2,262,385
Net (loss) or profit for year after special items .....	(26,026)	134,641
Balance end of year .....	\$2,292,599	\$2,127,744

The notes to financial statements are an integral part of this statement.



# STANROCK URANIUM MINES LIMITED

## *Statement of Source and Application of Funds*

For the Year Ended December 31, 1967

### Source of funds:

Issue of shares (Notes 4 and 5):

For cash .....	\$ 62,200	
For assets .....	736,501	\$ 798,701

### Application of funds:

Loss for the year .....	26,026	
Depreciation .....	(17,269)	
Purchase of fixed assets:		
Mining claims (Note 5) .....	296,932	
Machinery and equipment .....	20,672	
Deferred charges .....	241,967	
Investment in and advances to subsidiary (Note 5) .....	4,191	
Reduction in note payable .....	40,000	612,519
Increase in working capital .....		186,182
Working capital, January 1 .....		977,334
Working capital, December 31 .....		<u>\$1,163,516</u>

The notes to financial statements are an integral part of this statement.

# STANROCK URANIUM MINES LIMITED

## *Notes to Financial Statements*

as at December 31, 1967

- Note 1.** The note bears interest at  $5\frac{1}{4}\%$ , is due September 1, 1970 and is secured by a mortgage on the Company's realty.
- Note 2.** During the year the Company obtained Supplementary Letters Patent increasing the authorized capital from \$6,000,000 to \$10,000,000 by the creation of an additional 4,000,000 shares, par value \$1.00 each, ranking on a parity with the existing shares.
- Note 3.** Options outstanding as at December 31, 1967:
- (a) Options granted during 1966 to officers and other key employees for 70,000 common shares of the Company, exercisable before May 24, 1971 at \$1.70 (U.S.) per share.
  - (b) Options previously granted by The Stanward Corporation, and in connection with the purchase of that Corporation's assets and the assumption of that Corporation's liabilities, converted to options on 13,750 common shares of the Company, exercisable before December 31, 1970 at prices ranging from \$.28 (U.S.) to \$.60 (U.S.) per share.
- Note 4.** Shares issued during the year:
- (a) To acquire the net assets of The Stanward Corporation — 1,346,662 shares at a discount of \$.35 per share.
  - (b) Options exercised — 127,625 shares for \$62,200 cash.
- Note 5.** On June 1, 1967, the Company purchased all the assets and assumed all the liabilities of The Stanward Corporation. The purchase included the issuance of common shares of the Company for the assets of Stanward on a pooling of interests basis. The net book value of the assets of Stanward on June 1 which Stanrock recorded on its books was \$736,501. The Company issued 1,346,662 shares at a discount of \$.35 from par value in exchange for such net assets. Included in the assets purchased from Stanward were mining claims and interests located in Ontario. These assets had a book value of \$254,757 and were excluded from the sale referred to below.
- The other assets purchased were located in Marion, Ohio and comprised a magazine fulfillment service. These assets were operated by the Company as the Fulfillment Division. The Division was sold for \$751,071 cash on October 19, 1967.
- The unaudited operating results of the Division show sales of \$893,111 (U.S.) and a net loss of \$14,992 (U.S.) for the period June 1, 1967, the date of purchase, to October 19, 1967, the date of sale.
- The net profit from the purchase, operation and sale of the Division was \$138,431, after providing for applicable U.S. taxes.
- Note 6.** As of the date of this balance sheet, the Company has \$18,618,203 in undepreciated capital cost allowance which may be claimed for tax purposes, at the rate determined by law, against future taxable income of the Company.
- Note 7.** The Company, as transferee of the assets and business of Stanward, is subject to claims by the U.S. Internal Revenue Service for income taxes payable by Stanward for the year 1960 and certain years prior thereto, in the aggregate amount of approximately \$90,000 (U.S.). The Company and its U.S. counsel believe that the claims of the Internal Revenue Service are in error, and that there is no liability for such taxes.
- Note 8.** The Company, as the successor to Stanward, is the plaintiff in an action instituted in 1961 in the Supreme Court of Ontario to recover royalties of \$750,000 from Denison Mines Limited. Decisions adverse to the plaintiff have been rendered by the trial court and an appellate court. A further appeal to the Supreme Court of Canada has been heard but has not yet been decided.





